
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**CONTRACT WITH
RIOJAS ENTERPRISES, INCORPORATED,
FOR CASE FOLDER FILING SUPPORT SERVICES**

CONTRACT #0600-98-34420

June 2007

A-04-07-17027

AUDIT REPORT



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- Access to all information necessary for the reviews.**
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SOCIAL SECURITY

MEMORANDUM

Date: June 19, 2007

Refer To:

To: The Commissioner

From: Inspector General

Subject: Contract with Riojas Enterprises, Incorporated, for Case Folder Filing Support Services – Contract #0600-98-34420 (A-04-07-17027)

OBJECTIVES

Our objectives were to (1) review the services provided by Riojas Enterprises, Incorporated (Riojas), and the related costs charged to the Social Security Administration (SSA) for adherence to the negotiated contract terms and applicable regulations and (2) ensure that SSA personnel properly monitored the contract.

BACKGROUND

SSA's Office of Central Operations operates the national folder storage facility in Baltimore, Maryland, known as the Megasite. This facility houses over 5 million active Title II folders. Field offices, disability determination services (DDS), hearing offices, and program service centers (PSC) routinely request case folders from the Megasite to facilitate initial and post-entitlement actions. In August 1998, SSA hired a contractor, Riojas, to provide all clerical and file support involved in filing and retrieving individual folders, filing loose documentation in folders, and deactivating folders. The firm-fixed-price contract was performed between August 1998 and March 2004 at a total cost of approximately \$39.2 million.

The initial contract established a base year of services with options to extend the contract annually for 4 additional years. The contract was extended in each of the 4 option years. Further, after the end of the fourth option year, SSA and the contractor agreed to extend the contract (about 6 months) until the new contractor was in place.

Our August 2002 report on *Case Folder Storage and Retrieval at the Social Security Administration's Megasite Records Center* found that case folder retrieval was a significant problem for field offices, DDSs, hearings offices, and PSCs. Specifically, we found the Megasite's physical inventory and Processing Center Action Control System computerized inventory were not accurate, and folders were not being delivered to field components timely. SSA agreed with our overall recommendations from this audit and, in part, agreed to perform independent quality assurance reviews to assess and document the contractor's performance in accordance with the contract provisions.

The Office of Budget, Finance and Management's (OBFM) mission is to provide leadership and oversight on key SSA programs and initiatives. The Office of Acquisition and Grants (OAG), a component within OBFM, is responsible for issuing and administering SSA contracts, purchases, and grants. The Contracting Officer, appointed by OAG, is responsible for the award and administration of SSA contracts. The Project Officer is designated by the respective component's management and is responsible for the technical administration of the contract.

SCOPE AND METHODOLOGY

We reviewed the contract and all the contract modifications. To assess contract compliance, we verified that quantities and types of services billed on each of the contractor's invoices agreed with Riojas' production reports and the services were billed at the correct rate. We also tested each of the contractor's invoices to ensure SSA paid the invoices accurately and timely.

In March 2004, another contractor was awarded the contract for the folder servicing operations at the Megasite. Actions taken on the folders by the new contractor have impacted the condition of the case folders since the time Riojas completed its work at the Megasite. Therefore, the condition of the case folders at the time of our audit would not provide an accurate representation of Riojas' performance. Accordingly, we did not attempt to test the accuracy of the folder filings and folder condition at the time of our fieldwork. See Appendix B for further details on our scope and methodology.

RESULTS OF REVIEW

Riojas' monthly production reports, which detail the total volume of each type of service performed under the contract, matched the totals on the invoices submitted to SSA for payment. Further, Riojas submitted the invoices in a timely manner, and SSA made prompt and accurate payments.

However, because of SSA contract staff turnover and a lack of oversight documentation, we were unable to review the *quality* of the services provided by Riojas, determine whether Riojas' production reports were accurate, or verify that SSA conducted quality assurance reviews of Riojas' performance throughout the term of the contract. Given that SSA paid about \$39 million to Riojas over the term of the contract, we were concerned (1) with the lack of documentation that was available to support

whether SSA conducted quality assurance and performance reviews and (2) that our previous audit, *Case Folder Storage and Retrieval at the Social Security Administration's Megasite Records Center* (August 2002), identified a similar problem, which SSA did not appear to remedy as a result of our review and recommendations. Finally, although the contract was completed in 2004, it had not been properly closed.

IMPROVEMENTS NEEDED IN DOCUMENTING SSA'S OVERSIGHT OF CONTRACT PERFORMANCE

As of June 2006, at the start of our audit, SSA staff responsible for overseeing the contract, including the Contracting and the Project Officers, were no longer employed by SSA. As a result, we were unable to interview staff who had personal experience and knowledge of the work performed by Riojas during the contract period. See Appendix C for details of the Contracting and Project Officer responsibilities.

In addition, SSA could not provide us with portions of the contract file that included the contractor's monthly production reports, quality control reports, or documentation regarding SSA's quality assurance reviews or reviews of Riojas' monthly production reports. According to policy, the Project Officer is responsible for post-award administrative duties that include monitoring technical performance and reviewing progress reports.¹ Further, Federal regulation requires that the documentation in the contract files shall be sufficient to constitute a complete history of the transaction for a number of purposes.² Regulatory guidance also indicates that a contract file should, among other things, include the contract administration office contract file that documents the basis for, and the performance of, contract administration responsibilities,³ and normally contains quality assurance records.⁴

An OAG official explained that documentation, such as quality assurance reviews is generally maintained by the Project Officer and this information should be forwarded to the Contracting Officer. Although there are no regulatory requirements for a Project Officer to maintain a contract file, the *Department of Health and Human Services, Project Officers' Contracting Handbook*—which OAG used as part of its contracting

¹ Social Security Acquisitions Handbook, Subpart H2301.102-4(c)(1)(i).

² Federal Acquisition Regulation (FAR) Volume I, Part 4 – Administrative Matters, Subpart 4.801(b), 48 C.F.R. § 4.801(b). The enumerated purposes are (1) Providing a complete background as a basis for informed decisions at each step in the acquisition process; (2) Supporting actions taken; (3) Providing information for reviews and investigations; and (4) Furnishing essential facts in the event of litigation or congressional inquiries.

³ FAR, supra, 4.802(a)(2), 48 C.F.R. § 4.802(a)(2).

⁴ FAR, supra, 4.803(b)(15), 48 C.F.R. § 4.803(b)(15).

guidelines—states that a project file will enhance the Project Officer’s ability to effectively and efficiently monitor a contractor’s progress.⁵ Moreover, the Handbook indicates that the project file would provide data to ensure continuity in contract administration should there be a change in Project Officers during a contract.⁶

We were particularly concerned that SSA could not provide a complete contract file that included documentation that it performed quality assurance reviews of Riojas’ work throughout the term of the contract or reviewed the quality reviews performed by Riojas. The only evidence of SSA’s quality assurance reviews was an e-mail documenting an October 1998 meeting where SSA’s officials discussed their quality assurance findings with Riojas representatives. This meeting occurred just a few months after the start of the contract. However, SSA could not provide any further documentation to support its quality assurance efforts throughout the remaining term of the contract.

An OAG official explained the Gwynn Oak Building, which houses OAG staff and contract files, was flooded in July 2004. The official speculated that this may explain why all contractor performance-related information could not be located. However, OAG officials could not specifically determine whether any of the Riojas contract files were lost or destroyed as a result of the flood. Although the flood may explain the missing records, a representative from the Office of Central Operations who was involved in the search for contract documentation explained that, even though she was not assigned to the Riojas contract, it appeared to her that SSA did not perform quality assurance reviews during the contract period. Finally, a Riojas official informed us that SSA did not provide them with copies of its quality assurance reports.

Riojas conducted its own monthly quality reviews and reported an overall accuracy rate 96 percent in December 1998 and 99.9 percent in October and November 2003. However, as previously stated, SSA could not provide any evidence it independently verified the results of these reviews.

In response to our August 2002 audit of *Case Folder Storage and Retrieval at the Social Security Administration’s Megasite Records Center*, SSA informed us it “performed periodic quality assessments of the contractor’s performance by evaluating the condition of the Megasite inventory.” However, even at that time, we could not verify the results of these assessments because SSA did not maintain documentation of the

⁵ U.S. Department of Health and Human Services (DHHS), DHHS Project Officers’ Contracting Handbook, Section V, Subpart P, p. V-28.

⁶Id.

assessment results. SSA admitted it stopped these quality assurance reviews early in Fiscal Year 2001 to devote resources to other workloads but reported that it resumed the assessments in January 2002. However, no records were available to document the test results.

Our previous report recommended that SSA perform independent quality assurance reviews to ensure the integrity of the Megasite's folder inventory. Further, we stated that, as part of the quality assurance review process, SSA should assess and document the contractor's performance in accordance with the contract provisions. SSA agreed with this recommendation. However, it should be noted that, in the remaining 19 months of the contract after our report was issued, SSA still could not provide documentation or show the results of any quality assurance reviews it should have performed.

We believe SSA should ensure the integrity of all contract documentation in case of staff turnover. For example, if the Contracting Officer or Project Officer, or both, leaves SSA's employment during or after a contract period, any documentation in their possession relating to the contract should be kept as part of the contract files. We also believe that SSA should formally and fully document its quality assurance reviews performed on the contractor. This includes a detailed description of the items SSA reviewed during quality assurance and the results of the assessments.

CONTRACT FILE NEEDED TO BE OFFICIALLY CLOSED

Files for firm-fixed-price contracts, other than those using simplified acquisition procedures, should be closed within 6 months after the date on which the Contracting Officer receives evidence of physical completion.⁷ A contract is completed when all services have been rendered; all articles, material, report data, exhibits, etc., have been delivered and accepted; all administrative actions accomplished; and final payment has been made to the contractor.⁸ Contract closeout actions are primarily the responsibility of the Contracting Officer, but the assistance of the Project Officer will be required to certify that all services have been rendered satisfactorily and all deliverables are complete and acceptable.⁹

Final payment on this contract was made in April 2004. However, the contract still remains open—more than 3 years later. An SSA official stated that the contract probably has not been closed because the Contracting Officer is no longer with SSA and it has been overlooked.

⁷ FAR, *supra*, 4.804-1(a)(2), 48 C.F.R. § 4.804-1(a)(2).

⁸ DHHS, *supra*, Section V, Subpart O, p. V-26.

⁹*Id.*

CONCLUSION AND RECOMMENDATIONS

Because of SSA staff turnover and a lack of contract documentation, we were unable to review the quality of the contract services provided by Riojas. Although Riojas received \$39 million over the course of the contract, SSA could not provide documentation to prove it conducted quality assurance reviews of Riojas' performance throughout the term of the contract or that it reviewed Riojas' monthly production reports. The records maintained at the Megasite are often essential for SSA to make sound decisions on beneficiary entitlements. Given the large amount of this contract and the importance of these records, we believe SSA should have put more emphasis on performing quality assurance assessments on Riojas' work and documenting the results of the assessments—especially in light of our previous audit findings. Further, the contract remains open more than 3 years after its completion.

We recommend SSA:

1. Ensure appropriate personnel review and document contractors' performance to determine whether goods and services are received in accordance with the contract terms.
2. Officially close the Riojas contract and ensure that all future contracts are closed according to SSA policy.
3. Maintain all relevant documentation in the contract files to constitute a complete history of the transaction, even in the case of staff turnover.

AGENCY COMMENTS

The Agency agreed with our recommendations and has initiated corrective actions.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Contracting and Project Officer Responsibilities

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgements

Acronyms

DDS	Disability Determination Services
DHHS	Department of Health and Human Services
OAG	Office of Acquisition and Grants
FAR	Federal Acquisition Regulation
OBFM	Office of Budget, Finance and Management
OIG	Office of the Inspector General
PSC	Program Service Center
Riojas	Riojas Enterprises, Incorporated
SSA	Social Security Administration

Scope and Methodology

To accomplish our objectives, we:

- Obtained and reviewed the contract and all the modifications.
- Reviewed our August 2002 report, *Case Folder Storage and Retrieval at the Social Security Administration's Megasite Records Center (A-04-99-62006)*.
- Reviewed pertinent sections of Social Security Administration's (SSA) policies and procedures as well as other relevant Federal laws and regulations.
- Reviewed Department of Health and Human Services, Project Officers' Contracting Handbook sections.
- Interviewed SSA's Office of Acquisition and Grants staff to gain an understanding of the contract oversight procedures related to the Riojas contract.
- Visited the Megasite to gain an understanding of the folder servicing operation.
- Obtained the contractor invoices from the Office of Budget, Finance and Management.
- Obtained the monthly production reports and quality control reports from Riojas.
- Compared each invoice to Riojas' monthly production reports and the contract to determine whether the quantity of services billed matched the production reports and was properly priced.

Because of SSA contract staff turnover, a lack of oversight documentation, and the length of time that has elapsed since the completion of this contract, we were unable to review the *quality* of the services provided by Riojas, determine whether Riojas' production reports were accurate, or verify that SSA conducted quality assurance reviews of Riojas' performance throughout the term of the contract. Therefore, the scope of our audit was limited to those items listed above.

In addition, another contractor was awarded the contract for the folder servicing operations at the Megasite beginning in March 2004. The actions taken on the folders by the new contractor from March 2004 until the time of our audit field work would have impacted both the filing accuracy and the condition of the case folders handled by Riojas. Therefore, we did not attempt to test the accuracy of the folder filings and the condition of the folders at the time of our visit to the Megasite.

The entities audited were Riojas Enterprises, Incorporated and the Office of Acquisitions and Grants within the Office of Budget, Finance and Management. Our tests of internal controls were limited to gaining and understanding of laws, regulations and policies that govern the Federal contracting procedures necessary to address our audit objectives. We performed our audit from June 2006 through January 2007 in Atlanta, Georgia, and Baltimore, Maryland, in accordance with generally accepted government auditing standards.

Contracting and Project Officer Responsibilities

During the pre-solicitation phase, the Project Officer (PO) has the lead and the Contracting Officer (CO) operates in an advisory capacity. Then, in the solicitation and evaluation and award phases the lead shifts primarily to the CO, with the PO acting largely as an advisor. In the post-award phase, the PO assumes lead responsibility for some functions and the CO for others. The roles and responsibilities of the CO and the PO are outlined below.¹

<u>PRE-SOLICITATION PHASE</u>	<u>LEAD</u>	<u>SUPPORT</u>
MARKET RESEARCH	PO	CO
IDENTIFY REQUIREMENTS	PO	CO
PLANNING SCHEDULE	CO	PO
STATEMENT OF WORK	PO	CO
TECHNICAL EVALUATION CRITERIA	PO	CO
SPECIAL APPROVALS	PO	CO
PREPARE SSA-393	PO	CO
<u>SOLICITATION PHASE</u>		
SYNOPSIS	CO	PO
PREPARE SOLICITATION	CO	PO
RECEIPT OF OFFERS	CO	PO
<u>EVALUATION AND AWARD PHASE</u>		
TECHNICAL EVALUATION	PO	CO
BUSINESS EVALUATION	CO	PO
DISCUSSIONS (IF REQUIRED)	CO	PO
CONTRACT PREPARATION & AWARD	CO	PO
DEBRIEFING	CO	PO
<u>POST-AWARD PHASE</u>		
MONITORING TECHNICAL PERFORMANCE	PO	CO
REVIEWING PROGRESS REPORTS	PO	CO
INSPECTION AND ACCEPTANCE	PO	CO
CONTRACT ADMINISTRATION	CO	PO

¹ Social Security Acquisition Regulation System, Subpart H2301.102-4(c)(1)(i).

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: May 31, 2007

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Larry W. Dye /s/

Subject Office of the Inspector General (OIG) Draft Report, "Contract with Riojas Enterprises, Incorporated, for Case Folder Filing Support Services — Contract #0600-98-34420" (A-04-07-17027)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the recommendations are attached.

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, on (410) 965-4636.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL’S (OIG) DRAFT REPORT, “CONTRACT WITH RIOJAS ENTERPRISES, INCORPORATED, FOR CASE FOLDER FILING SUPPORT SERVICES – CONTRACT #0600-98-34420” (A-04-07-17027)

Thank you for the opportunity to review and provide comments on this draft report. Our comments on the draft recommendations are as follows.

Recommendation 1

Ensure appropriate personnel review and document contractors’ performance to determine whether goods and services are received in accordance with the contract terms.

Comment

We agree. We will send a reminder notice to all Contracting Officers by June 30, 2007 reminding them of the importance of contract administration and their role in this process, including: 1) ongoing communication with the Project Officer (who is responsible for determining whether goods and services are received in accordance with the contract terms and notifying the Contracting Officer if there are problems arising under the contract); and 2) documenting contractors’ past performance in accordance with Federal regulations and Agency policy, as outlined below.

With respect to contractor performance in general, it is a matter of Federal regulation that a performance evaluation be performed on all contracts with a value exceeding the simplified acquisition threshold (currently \$100,000) following contract completion (Federal Acquisition Regulation (FAR) 42.1502(a)). It is our policy to conduct an annual review for ongoing contracts (i.e., contracts with a period of performance, including options, that exceeds twelve months) (Social Security Acquisition Handbook (SSAH) H2342.1502 and H2342.1503). Both the annual reviews and the final contract review are established by the Contracting Officer in a database maintained by the National Institutes of Health. The reviews are then routed to the Project Officer for completion (i.e., questions about the contractor’s performance are answered by the Project Officer).

To address issues related to the Megasite Files contract, the Project Officer has established a project file which fully documents the performance of the current contractor (as of March 2004) in order to ensure the Agency receives the appropriate goods and services in accordance with the contract terms. The Project Officer currently shares this information with the Contracting Officer as part of their support role. The Project Officer also ensures that goods and services are properly rendered prior to certifying contract invoices.

Recommendation 2

Officially close the Riojas contract and ensure that all future contracts are closed according to SSA policy.

Comment

We agree. The Riojas contract has been sent for closeout and is expected to be closed by September 30, 2007. To ensure all contracts are closed timely and in accordance with FAR 4.804 and the SSAH 2304.804, we will send a reminder notice to all Contracting Officers by June 30, 2007.

Recommendation 3

Maintain all relevant documentation in the contract files to constitute a complete history of the transaction, even in the case of staff turnover.

Comment

We agree. We will send a reminder notice to all Contracting Officers by June 30, 2007, regarding the importance of maintaining complete and accurate file documentations (see FAR 4.802 and 4.803). This includes documentation provided to Contracting Officers from Project Officers.

The Project Officer has already taken action, effective with the current Megasite Files contract (March 2004), to establish and maintain a Project Officer Project File replete with detailed quality assurance documentation, invoices, and contract modifications.

The Project Officer has also developed a Quality Assurance Surveillance Plan (QASP). The QASP is a detailed plan setting forth the process SSA will use to measure the contractor's performance. This plan also gives SSA flexibility in measuring performance and serves as a tool to assure consistent and uniform assessment of the contractor's performance. Monthly quality assurance data and reports are submitted by the Project Officer to the Contracting Officer for review, discussion, and maintenance in the official contract file.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director, (205) 801-1650

Frank Nagy, Audit Manager, (404) 562-5552

Acknowledgments

In addition to those named above:

Mike Leibrecht, Senior Auditor

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